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May 25, 2011

EX PARTE PRESENTATION

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: *Connect America Fund*, WC Docket No. 10-90: *A National Broadband Plan For Our Future*, GN Docket No. 09-51; *Establishing Just And Reasonable Rates For Local Exchange Carriers*, WC Docket No. 07-135; *High-Cost Universal Service Support,* WC Docket No. 05-337; *Developing An Unified Intercarrier Compensation Regime*, CC Docket No. 01-92; *Federal-State Joint Board On Universal Service*, CC Docket No. 96-45; *Lifeline And Link-Up*, WC Docket No. 03-109.

Dear Ms. Dortch:

The Independent Telephone & Telecommunications Alliance ("ITTA") met on March 24, 2011, with Zac Katz, Legal Advisor for Wireline, International, and Internet Issues, to Chairman Genachowski, Sharon Gillett, Chief, Wireline Competition Bureau, Amy Bender, Rebekah Goodheart, and Patrick Halley of the Wireline Competition Bureau, and Michael Steffen of the Office of General Counsel, in the above-captioned proceedings to discuss the issues identified in the attached written material provided at the meeting. In attendance for ITTA were Genevieve Morelli, ITTA, Jeffrey Lanning, CenturyLink, Matthew Dosch, Comporium, Kevin Kastor, Consolidated Communications, Robin Tuttle, FairPoint Communications, Kevin Hess, TDS Telecom, and I.

Pursuant to 47 C.F.R. § 1.1206, please include this ex parte filing in the above-referenced docket. Please let me know if you have further questions.

Sincerely,

/s/ Gregory J. Vogt

Gregory J. Vogt
Counsel for Independent Telephone &
Telecommunications Alliance

cc: Zac Katz
Sharon Gillett
Amy Bender
Rebekah Goodheart
Patrick Halley
Michael Steffen

UNIVERSAL SERVICE AND INTERCARRIER COMPENSATION REFORM
WC Docket No. 10-90, *et al*.

ITTA

May 23-24, 2011

<u>Universal Service</u>

I. Existing Universal Service and Intercarrier Compensation Mechanisms Have Fostered Broadband Deployment in Rural, High-Cost Areas.

   a. ILECs have been deploying broadband services with universal service money in areas that are uneconomic to serve absent support.

   b. Differences in broadband deployment rates between high-cost areas served by rural (supported) and non-rural (unsupported) providers demonstrates that universal service support is necessary for deployment in *all* high-cost areas.

II. In Effectuating Changes to the Current Universal Service and Intercarrier Compensation Regimes the Commission Should be Careful Not to Inadvertently Undermine the Progress That Has Been Made in Deploying Broadband.

   a. Changes that fail to provide sufficient ongoing support for networks already serving rural, high-cost areas risk jeopardizing ILEC efforts to expand their networks and broadband service offerings and to maintain their current networks and broadband services.

   b. No new broadband deployment goals should be imposed without providing the opportunity for providers to obtain sufficient funding to support such deployment.

III. The Interim CAF Proposal in the *Notice* Would Disrupt Existing Support Flows Needed to Maintain Broadband for Rural America.

   a. Elimination of IAS, LSS and Safety Net support without adequate opportunity to replace those funds would harm consumers by undermining broadband maintenance and expansion.

   b. The use of reverse auctions to fund unserved areas would fail to account for the need for funding to maintain and expand *already existing* broadband networks.

c. Should the Commission adopt a reverse auction process for interim CAF distribution – which it should not – it should include a right-of-first-refusal option.

IV. In Lieu of the Interim CAF Proposal in the *Notice*, the Commission Should Require Recipients of IAS, LSS and Safety Net Funds to Utilize Such Support Exclusively for Broadband Deployment and Maintenance Purposes Until the Permanent CAF Has Been Implemented.

V. The Permanent CAF Should Retain Existing Broadband Advances While Ensuring Financial Stability and Predictability So That Carriers Can Continue Broadband Deployment.

a. CAF recipients must demonstrate the ability to meet service standards and COLR responsibilities.

b. If the ILEC with COLR responsibilities for voice services does not receive CAF funding, the ILEC's COLR obligations must be eliminated.

c. The model used to define sufficient CAF support levels must incorporate a realistic view of how rural costs are incurred.

d. The CAF should only support a single provider in a given geographic area.

VI. The CAF Should Support High-Cost Geographic Areas, Not Large Areas That Contain Both Low and High Cost Areas.

a. The most serious defect of the current non-rural high-cost loop mechanism is the failure to provide sufficient support for the high-cost parts of large study areas. The CAF must avoid this shortcoming.

b. Wire centers should form the basis of support distribution.

VII. The CAF Should Compensate Carriers for OPEX in Areas That Are Economically Unsustainable Absent Support.

<u>Intercarrier Compensation</u>

I. ICC Reform Should Be Accomplished In Measured Steps That Allow Carriers Sufficient Time To Replace Lost Revenues.

a. Intercarrier compensation is a critical revenue component for many telephone companies, particularly those companies serving rural areas.

b. Drastic reductions in these charges without an adequate lost-revenue recovery mechanism would lead to substantially increased rates in rural areas and would prevent carriers from introducing new, innovative services to more customers.

II. The Commission Should Adopt ITTA's Plan To Reduce Access Charges and Create An Alternative Recovery Mechanism.

a. Intrastate and interstate access charges should be unified.

b. All types of traffic should be subject to these rates.

c. For the first three years of reductions, the Commission should make available to all price cap carriers the opportunity to recover an amount equal to the annual revenue lost. In the fourth year, carriers should be allowed to recover 50% of the total revenue loss attributed to the lowest CALLS-targeted reductions, plus 100% of the cumulative total from the first three years.

d. At the end of the fourth year, the Commission should review market conditions to determine an appropriate further reform plan.